

VZCZCXYZ0041
RR RUEHWEB

DE RUEHFR #7201/01 3071345
ZNR UUUUU ZZH
R 031345Z NOV 06
FM AMEMBASSY PARIS
TO RUEHC/SECSTATE WASHDC 2826
INFO RUCPDOG/USDOC WASHDC
RHEBAAA/USDOE WASHDC
RUCNMEN/EU MEMBER STATES
RUEANFA/NRC WASHDC
RUEHBJ/AMEMBASSY BEIJING 1353
RUEHBS/USEU BRUSSELS 1797

UNCLAS PARIS 007201

SIPDIS

SENSITIVE
SIPDIS

STATE FOR EUR/WE; DRL/IL; OES; NP; EB/ESC, AND EB/CBA
USDOC FOR 4212/MAC/EUR/OEURA
DOE FOR ROBERT PRICE PI-32 AND KP LAU NE-80

E.O. 12958: N/A

TAGS: [ENRG](#) [EPET](#) [EIND](#) [EINV](#) [ELAB](#) [PREL](#) [PGOV](#) [FR](#) [CH](#)

SUBJECT: PRESIDENT CHIRAC'S VISIT TO CHINA-STRENGTHENING THE
FRANCO-CHINESE ECONOMIC AND POLITICAL RELATIONSHIPS

REF: PARIS 1697

NOT FOR INTERNET DISTRIBUTION

Summary

¶1. (SBU) French President Jacques Chirac's most recent four-day visit to China on October 25th through the 28th was notable due to the signing of trade deals worth approximately 5 billion euro and for his personal efforts to improve Franco-Chinese political ties.

¶2. (U) "Never have we been so confident in our relationship, both in the political arena as well as in the economic arena," was how Chirac summed up Franco-Chinese relations in a briefing to journalists on October 28 in the central city of Wuhan. Chirac, in remarks made to the 30 CEOs of French industrial groups traveling with him, also reportedly noted China's poor human rights record. Thirteen economic and technical cooperation agreements were signed between the two countries during this visit, in areas as diverse as nuclear power, agriculture and preventing infectious diseases, and aviation and rail transport. President Chirac also used his visit to engage with President Hu Jintao on issues of shared security concerns and to urge China to assume the responsibilities that come with its increasing role as a global power. End Summary.

More Trade Deals...

¶3. (U) Headlining the new contracts was China's multi-billion-dollar order of 150 Airbus A320 aircraft, along with an option to buy 20 of the European aerospace giant's new wide-body A350 planes. While no figures were released about the value of the contract, Airbus officials said the average list price for one A320 was between 50.5 million and 78 million dollars. China placed an earlier order in December 2005, when Chinese Premier Wen Jiabao visited France, for 150 Airbus planes with a list price of nearly 10 billion dollars. As part of the deal, Airbus gave a final green light to the building of an A320 assembly plant in the northern Chinese port city of Tianjin -- the first of its kind outside Europe. The new plant will complete its first aircraft in 2009 and will subsequently manufacture four per month, the aircraft maker said.

¶4. (U) In Wuhan, Chirac laid the foundation stone for a new Peugeot-Citroen factory, while urging French industry chiefs to further expand their "strategic alliance" with China. The new Peugeot-Citroen factory, a 50-50 joint venture with China's Dongfeng, is expected to begin production in 2009 and will tap into

China's voracious appetite for new cars with an eventual annual production capacity of 150,000 vehicles.

15. (U) The two countries also signed a 1.5-billion-euro contract involving Alstom SA helping to build 500 Chinese freight locomotives. The French group will only claim 340 million euro, however, while the Chinese partner, Datong Electric, will keep the rest. A second contract was signed in which Alstom SA will provide hydroelectric equipment to China.

16. (U) Chirac also pressed the French bid for the multi-billion dollar four nuclear reactor sale to China. However, in commentary, Chirac noted that it was "a difficult case" for Franco-German nuclear reactor supplier Areva/Siemens. (Comment: China launched the bidding for the third-generation reactors in September 2004 with France's Areva, Westinghouse and Russia's AtomStroyExport seen as the front runners. A Chinese official said in June 2006 that no decision on the bid had been made. Commenting on the French proposal, Chirac noted the "political dimension" of the bid. The bid was originally thought to be valued at about eight billion dollars for the four reactors, but China may be trying to lower the costs by buying the reactor designs and building the plants itself, according to French media. However, Chirac underscored that Areva was building a version of its third generation reactor (the European Pressurized Reactor) in Finland, while Westinghouse's proposed model existed only on paper. France's nuclear industry has long been engaged in supplying reactors to China with four of the country's currently operating 11 nuclear reactors French-made. End Comment)

17. (SBU) GOF officials tell us one sour note occurred during a session of the Intergovernmental Commission on Trade on the eve of Chirac's arrival. Trade Minister Christine Lagarde apparently was treated to a long harangue on French protectionism by her Chinese counterpart, prompted in part by the EU's recent decision to impose

tariffs on footwear.

A few political issues

18. (U) Chirac's primary political priority in China was to discuss the North Korean nuclear tests and insure that China would continue to take a firmer stand toward North Korea than it has in the past. In a press conference following conversations with Hu Jintao, Chirac announced that he "had not observed today any divergence of view between the Chinese authorities and the international community" on the question of sanctions. According to press reports, the Chinese in private meetings expressed their frustration with North Korea's stubborn attitude and their lack of receptivity toward the Chinese presidential envoy that went to Pyongyang on October 9, the day after the nuclear tests. The Chinese told Chirac that the North Koreans wanted direct talks with the US, according to press reports.

19. (U) Chirac further hoped that encouraging China to demonstrate its strong stance toward North Korea would set an example for Iran of unanimous opposition to nuclear testing. Chirac argued in meetings with Chinese leaders that Tehran closely watches the Security Council's response to North Korea, and could be positively influenced by China's support for sanctions. Chirac also took advantage of a press conference in Wuhan on October 27 to speak out publicly in support of "reversible" sanctions against Iran. Although he conceded that he himself has never been a great advocate of sanctions, he said that "the international community, and notably China, but also Russia, the Europeans, and the U.S., recognize that Iran's ambitions are not compatible with our idea of non-proliferation."

110. (U) On the question of human rights, Chirac offered a muted reproach, but reserved his strongest criticism for private discussions. He noted that with the 2008 Summer Olympics in Beijing, China will find itself "at the heart of international observation" and should "bend to reality, notably in regard to human rights." He later added that France and China agreed to move forward with discussions on human rights. On September 30, Chinese border police were caught on tape while opening fire on a group of Tibetans trying to cross the border into Nepal, killing a Buddhist nun, and eliciting an international outcry against China's

administration of Tibet and its human rights policy.

¶11. (U) Finally, Chirac reiterated his opposition to the European Union's arms embargo on China. In a joint statement issued October 26, Chirac and Hu Jintao announced that "the time has come for the European Union to embrace the consequences of the developing partnership between the EU and China, notably by lifting the arms embargo, which is no longer pertinent."

COMMENT

¶12. (SBU) As expected, Chirac did not take a hard line on any particularly sensitive issues during his visit because his primary goal was to court Chinese business and secure contracts for French companies. On the economic front, the contracts between the French and Chinese should help alleviate France's 15 billion euro deficit with China. This is just under half of France's overall trade deficit. France is pushing for its share of the Chinese market to increase from its current 1.4 percent to 2 percent, which is about half of Germany's market share. Also, French exports to China, which measured 5.7 billion euros last year, grew by 27.5% in the first half of 2006 supporting an upward trend in French/Chinese trade relations.

Stapleton